

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 8827
INFO AMEMBASSY BONN

C O N F I D E N T I A L LUSAKA 2455

E.O. 11652: GDS
TAGS: PEPR EAID GW ZA
SUBJ: SCHMIDT VISIT TO ZAMBIA: ODDS AND ENDS

1. DURING INFORMAL CONVERSATION WITH AMBASSADOR LOW, WEST GERMAN AMBASSADOR DUFNER DISCUSSED RECENT VISIT TO ZAMBIA OF CHANCELLOR SCHMIDT. MUCH OF WHAT HE SAID HAS BEEN REPORTED FROM BONN AND ELSEWHERE, BUT THE FOLLOWING ITEMS ARE OF INTEREST.

2. NKOMO MEETING: DUFNER EMPHASIZED THAT SESSION WITH NKOMO WAS ENTIRELY ON ZAPU'S INITIATIVE. THE DISCUSSION WAS SOMEWHAT UNCOMFORTABLE IN LIGHT OF THE RECENT DEATH OF ZIPRA COMMANDER MANGENA AND THE MURDER OF TWO GERMAN MISSIONARIES. DESPITE THE FACT THAT ZAPU REQUESTED THE MEETING, NKOMO DID NOT SEEM TO HAVE ANY PARTICULAR PURPOSE IN MIND, AND THE CONVERSATION REMAINED ON A VERY GENERAL LEVEL.

3. FRG ASSISTANCE TO ZAMBIA; ZAMBIAN OFFICIALS ASKED THAT CURRENT FRG CAPITAL ASSISTANCE OF DM 90 MILLION BE INCREASED TO 200 MILLION AND THAT CONSIDERATION ALSO BE GIVEN TO COMMODITY AID. DUFNER SAID THE FRG DOES NOT PLAN TO PROVIDE
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COMMODITY AID BUT MAY INCREASE CAPITAL ASSISTANCE SLIGHTLY TO AROUND DM 100 MILLION. ON THE STABILIZATION OF COPPER PRICES, SCHMIDT APPARENTLY TOLD KAUNDA THAT HE WOULD FAVOR INCLUSION OF COPPER IN THE STABEX MECHANISM OF LOME II.

4. FOREIGN INVESTMENT IN ZAMBIA: SCHMIDT WAS BLUNT IN HIS DISCUSSION OF PRIVATE FOREIGN INVESTMENT WITH KAUNDA. THE

CHANCELLOR SAID THAT GOVERNMENTAL ASSISTANCE COULD NOT ALONE MEET ZAMBIA'S NEEDS, AND THAT PRIVATE INVESTMENT WAS NECESSARY. HE SAID THAT OVERSEAS INVESTORS WOULD BE VERY RELUCTANT TO GET INVOLVED IN ZAMBIA UNTIL IT IS CLEAR WHETHER ZAMBIA'S ECONOMY WILL BE A MIXED ONE OR BASICALLY SOCIALIST ORIENTED. HE POINTED OUT THAT ONLY THE WEST COULD BE A REAL SOURCE OF INVESTMENT AND STRONGLY ADVISED AGAINST ATTACKS ON "CAPITALISTS." KAUNDA REPORTEDLY ACKNOWLEDGED THAT VALIDITY OF SCHMIDT'S REMARKS AND SAID HE HOPED THAT THE RECENT CABINET AND CENTRAL COMMITTEE RESHUFFLES WOULD HELP SMOOTH THE WAY TO CREATING A BETTER CLIMATE FOR WESTERN INVESTMENT.

5. PARASTATALS: KAUNDA ASKED FOR ADVICE REGARDING THE MANAGEMENT AND ORGANIZATION OF ZAMBIA'S PARASTATALS. SCHMIDT SAID THAT THEY MUST BE RUN LIKE ANY PRIVATE CORPORATION OF A SIMILAR SIZE. KAUNDA ASKED IF THE GERMANS WOULD BE WILLING TO PROVIDE A NUMBER OF EXPERTS TO LOOK INTO THE PARASTATALS AND OFFER ADVICE FOR THEIR SMOOTHER FUNCTIONING. SCHMIDT REQUESTED A LETTER FROM ECONOMIC ADVISOR MULAISHO OUTLINING MORE PRECISELY WHAT THE ZAMBIANS DESIRED IN THIS REGARD, AND SAID THAT THE FRG WOULD TRY TO HELP.

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